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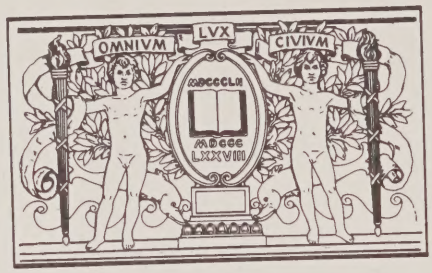


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# Boston's Growth Economy And the Megaprojects Dimension

The present and future of Boston's growth economy are outstanding. An estimated 50,000 net new jobs have been created in the last four years with the prospect of double that and more between now and the year 2000. In terms of earned income flows, the recent growth rate has been even more spectacular, outdistancing the state and region which in turn are widening their leading spread with the other regions and the nation as a whole. The extraordinary income flows and the accelerated creation of value which they reflect are evidenced by a strong office market, upscale retail activity, rising residential property values, record real estate development, including a surge of foreign investment, and the growing exports of services. Boston's growth economy is the engine of economic opportunity for downtown and Boston's long-neglected neighborhoods. In addition, the Boston economy is vital to both Massachusetts and New England.

Boston is scheduled to undergo an extraordinary explosion of construction activity, both public and private, over the next twelve years. The B.R.A. is monitoring 78 private projects with over 18.6 million square feet of commercial development to the year 2000. These projects will require nearly 8,000 annual construction jobs through the year 2000. In addition, the five major public projects including the third harbor clean-up, the Deer Island House of Correction, and the Waste-Energy plant, encompass an estimated $7 billion of construction. These projects would require an annual average of 5,700 construction jobs from 1988 through 2000.

The bright prospects for Boston's growth economy could be jeopardized, however, by the imminent impact of five public megaprojects, which will

improve the quality of life in Boston and Massachusetts in the long run, but which will almost double the current peak rate of construction activity by adding $7 billion of capital construction over the next twelve years. Imposing such an unprecedented flow of construction activity on downtown Boston and its Harbor in the current circumstance of an unprecedented boom of private development activity could add an unsupportable burden of traffic congestion, cause an outflow of downtown businesses, and coopt a construction labor force already in short supply.

Unless measures are taken now to deal with this impending problem fully and adequately, it could be necessary to defer, delay, or deny development construction projects in the impacted zone. As much as half of the commercial construction activity forseen over the next twelve years may be subject to limitations imposed in a proposed development control zone. Such an eventuality would have a very serious impact on Boston's growth economy and that of the State and consequently is not to be taken lightly. However, there are steps which can be taken to coordinate public and private development projects and mitigate the transportation impacts of downtown Boston during the next twelve years. In fact these bold steps must be taken in order to preserve Boston's vital growth economy which is important not only to Boston but also to the State of Massachusetts and the New England region.

Boston's Economy as the Center of the State and Region

Boston's growth economy, with its 50,000 net new jobs, $5 billion of development construction, 8 million square feet of net addition to the office inventory (including 6 million square feet of class A space), in the last four years, is vital to the health of the state economy, and helped account for

Massachusetts' recent leading role in the nation in employment and income growth. The Boston economy accounts for 21% of the State's jobs and 33% of those in finance and services, and it was employment growth in these latter sectors that made up 60% of all job growth in the state. Boston has gained not only in numbers of jobs but also in quality, and this has helped give the state its leading edge. Average annual wages in Boston have been higher than that for the metro area and the state for each of the last six years. Each of the major sectors of the Boston economy is thriving. Boston's class A office park is absorbing 1.6 million square feet of space this year with a last reported vacancy rate of 7 percent, one of the lowest in the nation. Boston's hotels report a record occupancy of 73% in 1987 even with the Hynes shutdown. This year tourist visitors are estimated to total 8.6 million in comparison with 6.7 million in 1983 and convention delegates at 520,000 in comparison with 326,000 four years earlier. Boston's upscale retail trade activity is remaking the city as the principal metro region shopping area. The downtown workforce has swelled to an estimated 350,000 out of total employment in the city of 610,000. Boston's daytime population has swelled by almost 100,000 since 1980, to 1,000,000 in 1985.

The broadening of the City's economic base and its qualitative economic improvement has led reputable national observers to forecast outstanding long-term economic prospects for the city and its metro area. Growth in employment and the upgrading of occupations has helped generate a new population flow which augers to continue. A uniquely strong housing market has emerged, characterized by low vacancy rates and sustained appreciation of housing values to record levels in each of the last four years, despite higher levels of housing construction than at any time in Boston's recent history.

The housing market has also benefitted from a rise in income and a reduction in poverty.

These trends reflects Boston's emergence as the nation's preeminent services economy, and exporter of services. Among the nation's large cities, Boston ranked highest with 57 percent of its employment in services, finance, transportation, and communications in 1984, in comparison with 56 percent in San Francisco, and 53 percent in New York City. Boston also leads the way as an exporter of services with its 35 percent of services employment dedicated to exports, surpassing the relative size of services exports in San Francisco and New York City, the runner-up metropolises.

Boston's services activities, dominated by professional and business services, higher education and medicine, money management and communications, are addressed to the needs of the metro area, state, New England region, the nation and the world.

With the new construction and the renovation of older structures, the Class A share of Boston's office space (that built since 1960 or renovated to new condition) increased from 40%, in 1978, to 60%, in 1986. High demand for office space, and the upscale quality of the tenant firms, support office rental rates exceeded only by those for Manhattan and Washington, D.C. In the meantime, Boston's Class A office vacancy rate was 6.1%, at the end of second quarter 1987, which may be the lowest rate for any large city.

Boston's hotel rooms increased by two-thirds (4,000 rooms), since 1980, to serve the growing numbers of business visitors (50% of hotel clients), convention goers (30%) and tourists (20%). Half of the increment in hotel rooms, since 1980, emerged in 1984, 1985 and 1986. Boston's hotel occupancy rate in 1986 was a record 72.5%, the highest in 10 years, and the average daily room rate was $91.

Boston's retail space was very substantially expanded and upgraded with the addition of 1.1 million square feet of net new space (a growth of 14%) in total downtown retail space since 1980, in response to Boston's reemergence as a metropolitan shopping center, the demand of the rising, upscale labor force, and the growing resident population. Virtually all of these new facilities came on the market in 1984, 1985 and 1986, reflecting the return of an era of people feeling good about Boston.

Prognoses for the future, prepared by reputable national public and private agencies, forecast both very substantial growth and improvement relative to other metro areas for the Boston Metro Region which currently has a population of 3.8 million and 2.2 million jobs. The metro region, with a 1987 personal income of $67.8 billion, 7th highest in the nation, would better its rank to 6th and a personal income of $95 billion, in the year 2000, according to the U.S. Bureau of Economic Analysis. The report, published in 1985, projects the Boston metro region to gain in rank, in comparison with the Nation's 330 metro areas, and to rise from 5th highest to 4th highest in employment, from 6th to 5th in population, and from 15th to 11th in per capita income. The National Planning Association forecast (in 1986) that the Boston Metro Region would gain 754,000 jobs, by the year 2000, and that this advance would be exceeded only by that of the Los Angeles area, with an increase of 1 million jobs. Related analyses and projections for the City of Boston forecast a 1985-2000 growth of 150,000 jobs, principally in the broad range of services activities, including money management and communication.

Impending Major Developments and their Cumulative Impact

Boston's growth economy will be producing a record level of public and private development investment over the next twelve years. The most serious impact of these projects will be the traffic congestion which will result from

construction activity placed upon an already over-burdened transportation system. This traffic problem could lead to the outflow of downtown businesses to the suburbs and prove a major brake upon the vital economic growth in downtown Boston. If steps are taken to coordinate and manage development activity and traffic congestion, Boston can benefit both from the new, critically needed infrastructure improvements and from the new jobs and revenues produced by the major private commercial developments.

Private real estate development is scheduled to total over 18.6 million square feet of new office, retail, hotel, housing, industrial, and institutional space to the downtown area over the next twelve years. These projects would produce demand for nearly 8,000 annual construction jobs in this same period. In the downtown core, the 1½ square mile area from Charlestown to South Bay surrounding the Central artery, anticipated private development totals 10.2 million square feet of new buildings requiring 3,000 construction jobs per year. Permanent and construction jobs will generate over 18,000 new commuter trips and over 100,000 truck trips in the downtown core.

Major public infrastructure development in the core area of downtown includes the third harbor tunnel, the depression of the central artery, the harbor clean-up, the new correctional facility, the waste-energy plant, and the Charlestown section of the artery project. All combined these projects total over $7 billion and would generate an annual average of 5,700 construction jobs from 1988 through 2000. It is roughly estimated that these projects would add 12,000 new commuter trips and over 40,000 truck trips to the downtown transportation system. These data do not, however, reflect the additional public improvements such as bridge construction and repair, new streets, and the water and sewer interceptor project.

Downtown Boston had over 1,000,000 person trips per day over its highway and streets system as enumerated in a 1982 cordon count. The central artery alone has 320,000 north and south vehicle trips passing through downtown daily. The addition of public and private development over the twelve years to the year 2000 could add 170,000 trips, an increase of 17 percent. Given a transportation system already over capacity, this gross addition could cause a gridlock.

Boston's growth economy, however, is a critical element of the State's economic health and must not be held back because of transportation impacts which could be averted. Boston needs the new transportation infrastructure and the jobs and tax revenues of new private investment. New means of coordinating development and managing traffic should be implemented now.

The Need for a Comprehensive Coordination Plan

Boston's growth economy can and will proceed if measures are taken to coordinate public and private development, encourage transportation efficiencies, and improve the existing system. Measures and plans could be imposed now. These have to do with carpooling, vanpooling, and busing employees from peripheral satellite parking zones, road and bridge improvement, mass transit upgrading, and water transit. They also have to do with managing and controlling the transportation impacts of Logan Airport. If a journey to work improvement of 20 percent could be achieved then the major public and private developments of the next twelve years can proceed.

A number of measures can be taken now to achieve a goal of reducing the impending transportation crisis.

1). large employers. The 90 employers in the city of Boston with over 500 employees account for more than one-third of total employment. Transportation programs to encourage efficient commuting targeted to less than 5 percent of all employers could have a major effect. The recent DEC-World conference and the MASCO example of transportation programs are ones that work.

2). tax incentives. A fiscal program to subsidize employers' MBTA pass system program through tax incentives could be a primary means to encourage mass transit use.

3). transportation improvements. Bridge, street, and highway construction and repair in projects which have been on hold for years could be expedited through intergovernmental cooperation.

4). Logan Airport. Controlling the growth of Logan Airport's passenger and freight traffic, the modal split of employees and passengers, and making mass transit improvements could all have a favorable effect upon the 81,200 daily person-trips generated by the Airport, of which 68 percent is private auto traffic. A goal of a 16 percent reduction, rolling back levels to the 1979 base, could be achieved.

5). Impact Zone. Establishing an impact zone from Charlestown to South Bay around the Central Artery and Tunnel projects with a Coordinating Council to monitor development activity could be a major step forward.

The major theme of a comprehensive coordination plan is that Boston's growth economy can continue if measures are taken to control and manage existing transportation patterns. The 1,000,000 daily vehicle trips downtown can be reduced to accommodate new economic growth. The sections that follow detail many of these measures and set forth a comprehensive plan.